private sector companies in the exploration of oil and gas;

(b) if so, the details thereof; and

(c) by when Govemment propose to take final decision in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI T.R. BAALU): (a) to (c) The Working Group on the Petroleum sector for the formulation of IXth Five Year Plan has recommended the following major fiscal incentives to secure participation by the private sector in the exploration of oil & gas:—

(i) Reduction in cess/royalty.

(ii) Cess/Royalty to be made ad valorem of oil/gas price and not be a specific amount.

(iii) Withdrawal of customs duty on imports related to upstream operations.

(iv) Development of a special package for exploration in North-Eastern states.

(v) Exploration efforts to be treated at par with R&D, infrastructure etc. for giving tax incentives.

The recommendations of the Working Group from basis for the preparation of the ninth Plan document.

**High Cost of Operation of Oil Companies.**

593. SHRI YERRA NARAYANASWAMY: Will the PRIME MINISTER be pleased to state:

(a) whether it is a fact that the high cost of operation of Indian Oil Corporation and other oil companies is partially responsible for the rising petrol prices;

(b) if so, the steps proposed to bring down the cost of operation of major public sector oil companies;

(c) whether any outside agency has been entrusted with the task of studying the costs of operation of major public sector oil companies; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI T.R. BAALU): (a) to (d) The major component of cost of production for petroleum products is the cost of crude oil and duties thereon. Continuous efforts are made by the oil companies/Govt. for ensuring cost control and economy in the expenditure by fixation of standard/norms and monitoring the actual performance vis-a-vis norms, for corrective action. As per the existing pricing mechanism, there is an inbuilt system of providing incentives/ disincentives for the oil companies to reduce their cost of production and only the normative costs of the refineries are reimbursed. All oil companies are continuously working on cost reduction methods on the basis of recommendations of inhouse studies and those by consultants.

**New Oil Exploration Policy**

594. SHRI AMAR SINGH: Will the PRIME MINISTER be pleased to state:

(a) whether Government have formulated new oil exploration Policy.

(b) if so, the details thereof; and

(c) if not, by when it is proposed to be formulated?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI T.R. BAALU): (a) to (c) Na decision has so far been taken by the Govemment on changing the existing exploration licensing policy.

**Reservation for Backward Classes for Allotment of Petroleum Pumps and Gas Agencies.**

595. SHRI R. MARGABANDU: Will the PRIME MINISTER be pleased to state:

whether any reservation for Backward Classes is being followed in the allotment